

**CITY OF CLEARWATER, KANSAS**

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**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2011**

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**George, Bowerman & Noel, P.A.**  
*Certified Public Accountants*

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	16
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	17
Statement of Nets Assets – All Enterprise Funds .....	19
Statement of Revenue, Expenses and Changes in Fund Net Assets – All Enterprise Funds .....	21
Statement of Cash Flows – All Enterprise Funds .....	22
Statement of Fiduciary Net Assets – Fiduciary Funds .....	24
Notes to Financial Statements .....	25
Combining Statements and Individual Fund Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	52
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis for:	
Special Highway .....	54
Employee Benefit.....	55
Special Liability Insurance .....	56
Special Parks and Recreation .....	57
Capital Improvement .....	58
Library.....	59
Library Employee Benefits .....	60

**TABLE OF CONTENTS**  
**(continued)**

	<u>Page</u>
Emergency Medical Services Fee .....	61
Debt Service .....	62
Enterprise Funds:	
Schedule of Revenues, Expenditures and Changes in	
Fund Balance – Budget and Actual – Budgetary Basis for:	
Water Utility .....	63
Sewer Utility .....	64
Statement of Changes in Assets and Liabilities – All Agency	
Funds – Payroll Tax Withholding Fund .....	65
Component Unit:	
Combining Balance Sheet – Clearwater Public Library .....	66
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Clearwater Public Library .....	67

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
City Council  
Clearwater, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clearwater, Kansas (City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clearwater's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*George Bowerman & Noel, P.A.*

Wichita, Kansas  
August 9, 2012

**CITY OF CLEARWATER, KANSAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended December 31, 2011**

As management of the City of Clearwater, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011.

**FINANCIAL HIGHLIGHTS**

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,800,453 (net assets). Of this amount, \$627,095 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net assets increased by \$72,834 of which the governmental activities increased net assets by \$84,242 and business-type activities decreased net assets by \$11,408.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$250,738. Of this total, \$172,479 is restricted, \$219,389 is committed, \$211,612 is assigned and a \$352,742 deficit resided in unassigned fund balance. The unassigned deficit was the result of a capital project deficit of \$422,830 with the General Fund reporting an unassigned surplus of \$70,088.
- At year-end, the business-type activities of the City reported net assets of \$1,882,772.
- At the end of the current fiscal year, total fund balance for the General Fund was \$195,027, or approximately 17%, of the total General Fund expenditures and transfers out for 2011.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public improvements, street improvement and maintenance, planning and zoning, recreation, sanitation services and other activities. The business-type activities include water and sewer utility services.

The government-wide financial statements include not only the City itself, but also the Clearwater Public Building Commission and Clearwater Public Library, legally separate entities for which the City is financially accountable. The Clearwater Public Building Commission is considered a blended component unit and the financial information for that entity is included within the City's financial statements. Financial information for the Clearwater Public Library is reported separately from the financial information presented for the primary government itself since it is considered a discretely presented component unit.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 21 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service and Capital Project Funds, all of which are considered major funds. Data from the remaining 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 13 to 18 of this report.

**Proprietary Funds** – The City maintains only one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both enterprise funds, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 19 to 23 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statement can be found on page 24 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 49 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the City, assets exceeded liabilities by \$4,800,453 as of December 31, 2011.

The largest portion of the City's net assets (48%) reflects restricted net assets for debt service and other functional activity purposes (\$2,293,243). Of this amount, \$2,120,764 is comprised of special assessment taxes receivable.

The City's investment in capital assets (e.g., land, buildings and improvements, machinery and equipment and construction work in progress), less any debt used to acquire those assets that is still outstanding, represents about 40% of the City's total net assets at December 31, 2011. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.



## CITY OF CLEARWATER'S NET ASSETS

December 31, 2011  
(with comparative amounts at December 31, 2010)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 3,602,538	\$ 3,538,703	\$ 218,310	\$ 176,855	\$ 3,820,848	\$ 3,715,558
Capital assets	<u>4,295,533</u>	<u>4,403,870</u>	<u>2,727,928</u>	<u>2,846,802</u>	<u>7,023,461</u>	<u>7,250,672</u>
Total assets	<u>7,898,071</u>	<u>7,942,573</u>	<u>2,946,238</u>	<u>3,023,657</u>	<u>10,844,309</u>	<u>10,966,230</u>
Long-term liabilities	3,735,025	4,227,145	1,044,676	1,116,987	4,779,701	5,344,132
Other liabilities	<u>1,245,365</u>	<u>881,989</u>	<u>18,790</u>	<u>12,490</u>	<u>1,264,155</u>	<u>894,479</u>
Total liabilities	<u>4,980,390</u>	<u>5,109,134</u>	<u>1,063,466</u>	<u>1,129,477</u>	<u>6,043,856</u>	<u>6,238,611</u>
Net assets:						
Invested in capital assets, net of related debt	139,886	31,990	1,740,229	1,790,783	1,880,115	1,822,773
Restricted	2,293,243	2,309,983	—	—	2,293,243	2,309,983
Unrestricted	<u>484,552</u>	<u>491,466</u>	<u>142,543</u>	<u>103,397</u>	<u>627,095</u>	<u>594,863</u>
Total net assets	<u>\$ 2,917,681</u>	<u>\$ 2,833,439</u>	<u>\$ 1,882,772</u>	<u>\$ 1,894,180</u>	<u>\$ 4,800,453</u>	<u>\$ 4,727,619</u>

The City's overall financial position improved, with an increase in net assets of \$72,834 for the current year. Of that increase, an increase of \$84,242 can be attributed to governmental activities and a decrease of \$11,408 can be attributed to business-type activities. The balance of unrestricted net assets of \$627,095 may be used to meet the City's ongoing obligations to citizens and creditors.

The net assets of the business-type activities decreased by \$11,408 for 2011 which can be attributed to a loss on dispositions of capital assets of \$38,047. The Sewer Utility did receive a contribution of noncash assets from the municipality of \$54,987. Business-type activities revenues were flat in comparison to the prior year.

**Analysis of the City's operations** – The following table provides a summary of the City's operations for the year ended December 31, 2011 and December 31, 2010.

## CITY OF CLEARWATER'S CHANGES IN NET ASSETS

Year Ended December 31, 2011  
(with comparative amounts for the year ended December 31, 2010)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 349,188	\$ 309,428	\$ 660,281	\$ 660,993	\$ 1,009,469	\$ 970,421
Operating grants and contributions	217,889	240,352	—	—	217,889	240,352
Capital grants and contributions	163,774	290,545	—	—	163,774	290,545

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General revenues:						
Property taxes	\$ 739,150	\$ 682,592	\$ -	\$ -	\$ 739,150	\$ 682,592
Sales taxes	324,489	303,427	-	-	324,489	303,427
Franchise fees	134,236	108,414	-	-	134,236	108,414
Investment earnings	8,475	12,870	487	471	8,962	13,341
Total revenues	<u>1,937,201</u>	<u>1,947,628</u>	<u>660,768</u>	<u>661,464</u>	<u>2,597,969</u>	<u>2,609,092</u>
Expenses:						
General government	253,608	264,745	-	-	253,608	264,745
Public safety	596,173	577,996	-	-	596,173	577,996
Highways and streets	228,467	158,850	-	-	228,467	158,850
Health and sanitation	120,322	97,301	-	-	120,322	97,301
Culture and recreation	437,194	492,810	-	-	437,194	492,810
Interest on long-term debt	184,154	204,817	-	-	184,154	204,817
Water Utility	-	-	376,626	369,093	376,626	369,093
Sewer Utility	-	-	328,591	324,738	328,591	324,738
Total expenses	<u>1,819,918</u>	<u>1,796,519</u>	<u>705,217</u>	<u>693,831</u>	<u>2,525,135</u>	<u>2,490,350</u>
Increase (decrease) in net assets before transfers	117,283	151,109	(44,449)	(32,367)	72,834	118,742
Transfers in (out)	<u>(33,041)</u>	<u>(109,602)</u>	<u>33,041</u>	<u>109,602</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	84,242	41,507	(11,408)	77,235	72,834	118,742
Net assets, beginning of year	<u>2,833,439</u>	<u>2,791,932</u>	<u>1,894,180</u>	<u>1,816,945</u>	<u>4,727,619</u>	<u>4,608,877</u>
Net assets, end of year	<u>\$ 2,917,681</u>	<u>\$ 2,833,439</u>	<u>\$ 1,882,772</u>	<u>\$ 1,894,180</u>	<u>\$ 4,800,453</u>	<u>\$ 4,727,619</u>

Total revenues for the governmental activities decreased by \$10,427 for the current year, or approximately 1%. The charges for services revenue category increased by \$39,760, which can be attributed to increases in municipal court fines and forfeitures (\$4,882), sanitation charges (\$15,906), building permits and licenses (\$3,397) and Community Center rentals and fees (\$4,402). Operating grants and contributions decreased by \$22,463 for 2011 with decreases in motor fuels tax allocations (\$2,294), Historical Society contributions (\$3,919), Ambulance donations (\$6,194), County Ambulance subsidies (\$2,828) and alcohol tax for parks and recreation (\$1,795). Capital grants and contribution revenues decreased by \$126,771, which is primarily attributed to a \$81,000 State of Kansas grant for the construction of a storm shelter in 2010 and a \$41,288 allocation from the Clearwater Recreation Commission for park improvements. General revenue sources reflect somewhat of an improved economic environment with sales taxes increasing \$21,062 and franchise fees increasing by \$25,822. General revenues reflect an increase for property taxes of \$56,558. A decrease in available investment balances combined with interest rates at nominal amounts resulted in a decrease in interest earnings for 2011 of \$4,395.

Total expenses for the governmental activities increased by \$23,399 for 2011. General government expenses decreased by \$11,137 with reductions in accrued compensated absences comprising \$5,066 and increased prepaid insurance allocations of \$3,824 were the major changes from the prior year. Public safety expenses increased \$18,177 for 2011 due mainly to an increase in police salaries of \$19,091. Health and sanitation expense increased \$23,021 principally related to costs to the trash removal service provider. Culture and recreation expenses decreased \$55,616 primarily due to decreases in park salaries of \$44,824 and Aquatic Center salaries of \$4,850. Interest expense on long-term debt decreased \$20,663 for 2011.

The business-type activity operating revenues decreased \$712 for 2011 and consumption was very comparable with 2010 due to similar hot and dry summer months for both years. There were no rate increases during 2011 as rate increases were implemented in January 2009.

The operating expenses for business-type activities decreased \$24,677 for 2011. Nonoperating expenses reflect a decrease in interest expense of \$1,984 however, losses on the disposition of capital assets totaled \$38,047.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds** – The focus of the City's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balances of \$250,738 and represents a decrease from 2010 by \$116,125 primarily due to capital project deficit of \$214,689.

The General Fund is the primary operating fund of the City. At December 31, 2011 the total fund balance of the General Fund was \$195,027. As a measure of the General Fund's liquidity, the total fund balance represents approximately 17% of the total General Fund expenditures and transfers out for 2011.

The Debt Service Fund reflects an increase of fund balance of \$2,996 for the current year as compared to an increase of \$555 for the prior year. Debt service Fund expenditures decreased \$4,383 for 2011 over the 2010 amount.

The Capital Projects Fund balance is a deficit of \$422,830 as a result of project expenditures incurred when the permanent financing has not yet been completed.

**Proprietary funds** – The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Water and Sewer Utility operating revenues reflect little variance from 2010. Unrestricted net assets of the Water and Sewer Utility were \$142,543 at year-end. Net assets invested in capital assets at year-end were \$1,740,229.

**General Fund Budgetary Highlights** – The General Fund total actual revenues exceeded the total amount anticipated in the 2011 budget by \$59,456, or approximately 5%. Budgetary expenditures totaled \$1,176,413, which represented 100% of the budgeted expenditures for 2011. The result was an increase in budgetary basis fund balance for the General Fund in the amount of \$47,581 (compared to a decrease in 2010 of \$117,444). The General Fund budgetary fund balance at year-end was \$135,304 with the 2012 budget anticipating a carryover balance of \$91,493.

## CAPITAL ASSETS

The City's investment in capital assets as of December 31, 2011 amounts to \$7,023,461 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and construction work in process. Major capital asset events during the current fiscal year included the following:

- During 2011, governmental activities invested \$262,588 in capital assets.
- Fire Department communication equipment upgrades costing \$2,478.
- Street improvements in the Clearwater Business Park totaling \$240,377.
- Park Shelter House floor and sidewalk improvements totaling \$5,004.
- Historical Society sidewalk and fencing improvements totaling \$9,968.
- The Sewer Utility additions include the contribution sewer lines in the Clearwater Business Park at a cost of \$54,987.

### Capital Assets at Year-End Net of Accumulated Depreciation December 31, 2011 (with comparative amounts at December 31, 2010)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 539,575	\$ 539,575	\$ 64,369	\$ 64,369	\$ 603,944	\$ 603,944
Buildings	799,344	830,555	63,198	66,952	862,542	897,507
Improvements other than buildings	748,944	839,912	2,517,349	2,614,896	3,266,293	3,454,808
Machinery and equipment	492,015	564,787	83,012	100,585	575,027	665,372
Infrastructure	1,706,183	1,559,808	—	—	1,706,183	1,559,808
Construction work in progress	<u>9,472</u>	<u>69,233</u>	<u>—</u>	<u>—</u>	<u>9,472</u>	<u>69,233</u>
Total	<u>\$ 4,295,533</u>	<u>\$ 4,403,870</u>	<u>\$ 2,727,928</u>	<u>\$ 2,846,802</u>	<u>\$ 7,023,461</u>	<u>\$ 7,250,672</u>

Additional information on the City's capital assets can be found in Note 3 on pages 36 to 39 of this report.

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total general obligation bonded debt obligations outstanding of \$2,880,000 and outstanding commitments under capital lease arrangements of \$420,647. In addition, the City had a note payable to the Kansas Department of Health and Environment (KDHE) of \$987,699 at December 31, 2011. The City retired \$310,000 of general obligation bonds during 2011. Capital lease obligations of \$71,233 and note payable to KDHE principal of \$68,320 were retired during 2011.

The Clearwater Public Building Commission retired \$115,000 of outstanding revenue bonds during 2011. The debt service payments for these outstanding revenue bonds will be serviced through lease rentals received from the City of Clearwater via a lease agreement with the Clearwater Public Building Commission. The total outstanding Clearwater Public Building Commission revenue bonds at December 31, 2011 were \$375,000.

Additional information on the City's long-term debt can be found in Note 4 on pages 39 to 44 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In the 2012 budget, General Fund revenues are budgeted to increase \$96,231, or approximately 8%, from the 2011 budgeted revenues. Expenditures are budgeted for 2012 at an increase of \$186,498, or 16%, from the 2011 budget. Ad valorem property taxes account for approximately 21% of the total revenue sources for the General Fund's 2012 budget. The total City tax levy for the 2012 budget is 49.943 mills compared to the 2011 budget of 46.000 mills. The most significant increase was in the General Fund, which increased 4.517 mills. The Debt Service Fund decreased .782 mills and all other City tax levy funds decreased a combined .208 mills. Certified assessed valuations, on which ad valorem property taxes are levied, increased approximately 3% from the 2011 budget to the 2012 budget with the total assessed valuation for the City reaching \$14,181,221.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk, at 129 E. Ross, P.O. Box 453, Clearwater, Kansas 67026, or call (620) 584-2311.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF NET ASSETS**

**December 31, 2011**

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
<b><u>ASSETS</u></b>				
Cash and investments	\$ 679,408	\$ 161,921	\$ 841,329	\$ 41,414
Receivables:				
Property taxes	708,253	—	708,253	—
Special assessment taxes	2,120,764	—	2,120,764	—
Sales taxes	28,344	—	28,344	—
Franchise fees	31,379	—	31,379	—
Trade accounts, net	20,618	56,389	77,007	—
Due from other funds	3,232	—	3,232	—
Prepaid items	10,540	—	10,540	—
Capital assets:				
Land	539,575	64,369	603,944	—
Buildings	1,055,551	98,022	1,153,573	128,979
Improvements other than buildings	1,773,132	4,472,598	6,245,730	4,885
Infrastructure	2,243,057	—	2,243,057	—
Machinery and equipment	1,548,458	306,408	1,854,866	26,266
Construction work in progress	9,472	—	9,472	—
Less accumulated depreciation	<u>(2,873,712)</u>	<u>(2,213,469)</u>	<u>(5,087,181)</u>	<u>(74,813)</u>
Total assets	<u>7,898,071</u>	<u>2,946,238</u>	<u>10,844,309</u>	<u>126,730</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	28,643	9,111	37,754	484
Accrued interest payable	28,469	9,679	38,148	—
Unearned revenue	708,253	—	708,253	—
Temporary notes payable	480,000	—	480,000	—
Noncurrent liabilities:				
Due within one year	467,249	97,638	564,887	—
Due in more than one year	<u>3,267,776</u>	<u>947,038</u>	<u>4,214,814</u>	<u>—</u>
Total liabilities	<u>4,980,390</u>	<u>1,063,466</u>	<u>6,043,856</u>	<u>484</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	139,886	1,740,229	1,880,115	85,317
Restricted for:				
Debt service	2,129,148	—	2,129,148	—
General government	8,446	—	8,446	—
Public safety	44,861	—	44,861	—
Street maintenance	55,588	—	55,588	—
Culture and recreation	55,200	—	55,200	—
Unrestricted	<u>484,552</u>	<u>142,543</u>	<u>627,095</u>	<u>40,929</u>
	<u>\$ 2,917,681</u>	<u>\$ 1,882,772</u>	<u>\$ 4,800,453</u>	<u>\$ 126,246</u>

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
<b>Governmental Activities:</b>								
General government	\$ 253,608	\$ 50,900	\$ --	\$ --	\$ (202,708)	\$ --	\$ (202,708)	\$ --
Public safety	596,173	69,544	72,655	--	(453,974)	--	(453,974)	--
Highways and streets	228,467	287	93,375	--	(134,805)	--	(134,805)	--
Health and sanitation	120,322	151,828	--	--	31,506	--	31,506	--
Culture and recreation	437,194	76,629	51,859	113,527	(195,179)	--	(195,179)	--
Interest on long-term debt	184,154	--	--	50,247	(133,907)	--	(133,907)	--
Total Governmental Activities	\$ 1,819,918	\$ 349,188	\$ 217,889	\$ 163,774	(1,089,067)	--	(1,089,067)	--
<b>Business-Type Activities:</b>								
Water Utility	\$ 376,626	\$ 336,360	\$ --	\$ --	--	(40,266)	(40,266)	--
Sewer Utility	328,591	323,921	--	--	--	(4,670)	(4,670)	--
Total Business-Type Activities	\$ 705,217	\$ 660,281	\$ --	\$ --	--	(44,936)	(44,936)	--
<b>Component Unit:</b>								
Clearwater Public Library	\$ 87,869	\$ 4,933	\$ 10,014	\$ --	--	--	--	(72,922)
<b>General Revenues and Transfers:</b>								
General Revenues:								
Property taxes levied for:								
General purposes					499,424	--	499,424	--
Debt service					174,917	--	174,917	--
Capital improvements					64,809	--	64,809	--
Sales taxes					324,489	--	324,489	--
Franchise taxes					134,236	--	134,236	--
Payments from City of Clearwater					--	--	--	71,487
Investment earnings					8,475	487	8,962	325
Transfers in (out)					(33,041)	33,041	--	--
Total general revenues and transfers					1,173,309	33,528	1,206,837	71,812
Change in net assets					84,242	(11,408)	72,834	(1,110)
Net assets at beginning of year					2,833,439	1,894,180	4,727,619	127,356
Net assets at end of year					\$ 2,917,681	\$ 1,882,772	\$ 4,800,453	\$ 126,246

The accompanying notes are an integral  
part of the financial statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF CLEARWATER, KANSAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**December 31, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and short-term investments	\$ 140,895	\$ 8,384	\$ 60,770	\$ 469,359	\$ 679,408
Property taxes receivable	284,636	150,058	—	273,559	708,253
Special assessment taxes receivable	—	2,120,764	—	—	2,120,764
Accounts receivable, net	17,533	—	—	3,085	20,618
Due from other funds	3,232	—	—	—	3,232
Sales tax receivable	28,344	—	—	—	28,344
Franchise fees receivable	31,379	—	—	—	31,379
Total assets	<u>\$ 506,019</u>	<u>\$ 2,279,206</u>	<u>\$ 60,770</u>	<u>\$ 746,003</u>	<u>\$ 3,591,998</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ 26,356	\$ —	\$ —	\$ 2,287	\$ 28,643
Accrued interest payable	—	—	3,600	—	3,600
Temporary notes payable	—	—	480,000	—	480,000
Unearned revenue	284,636	2,270,822	—	273,559	2,829,017
Total liabilities	<u>310,992</u>	<u>2,270,822</u>	<u>483,600</u>	<u>275,846</u>	<u>3,341,260</u>
Fund balances (deficit):					
Restricted for:					
General government	—	—	—	8,446	8,446
Public safety	—	—	—	44,861	44,861
Street maintenance	—	—	—	55,588	55,588
Culture and recreation	—	—	—	55,200	55,200
Debt service	—	8,384	—	—	8,384
Committed for:					
General government	124,939	—	—	—	124,939
Parks and recreation	—	—	—	94,450	94,450
Assigned for:					
General government	—	—	—	202,550	202,550
Culture and recreation	—	—	—	9,062	9,062
Unassigned	70,088	—	(422,830)	—	(352,742)
Total fund balances (deficit)	<u>195,027</u>	<u>8,384</u>	<u>(422,830)</u>	<u>470,157</u>	<u>250,738</u>
Total liabilities and fund balances	<u>\$ 506,019</u>	<u>\$ 2,279,206</u>	<u>\$ 60,770</u>	<u>\$ 746,003</u>	<u>\$ 3,591,998</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**December 31, 2011**

Total Governmental Fund Balances \$ 250,738

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported  
in the funds (capital assets net of accumulated  
depreciation):

Cost	\$ 7,169,245	
Accumulated depreciation	<u>(2,873,712)</u>	
		4,295,533

Other assets not available to pay for current period  
expenditures and therefore are not reported in  
the governmental funds

Prepaid items		10,540
Special assessments receivable		2,120,764

Long-term liabilities are not due and payable in the  
current period and therefore are not reported  
in the funds:

Accrued interest payable on general obligation bonds	24,228	
Accrued interest payable on Clearwater Public Building Commission revenue bonds	641	
Compensated absences payable	59,378	
General obligation bonds payable	2,880,000	
Clearwater Public Building Commission revenue bonds payable	375,000	
Capital lease obligations payable	<u>420,647</u>	
		<u>(3,759,894)</u>

Net Assets of Governmental Activities \$ 2,917,681

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS**

**Year ended December 31, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 573,820	\$ 174,917	\$ –	\$ 317,442	\$ 1,066,179
Special assessment taxes	–	234,078	–	–	234,078
Intergovernmental	199,575	–	–	112,405	311,980
Licenses and permits	147,448	–	–	10,000	157,448
Charges for services	204,661	–	–	25,442	230,103
Fines and forfeitures	44,102	–	–	–	44,102
Use of money and property	21,666	682	590	6,139	29,077
Miscellaneous	<u>28,085</u>	<u>–</u>	<u>–</u>	<u>19,980</u>	<u>48,065</u>
Total revenues	<u>1,219,357</u>	<u>409,677</u>	<u>590</u>	<u>491,408</u>	<u>2,121,032</u>
Expenditures:					
Current:					
General government	209,311	–	–	38,775	248,086
Public safety	447,046	–	–	105,416	552,462
Highways and streets	31,232	–	–	99,519	130,751
Health and sanitation	119,017	–	–	1,305	120,322
Culture and recreation	164,251	–	–	155,643	319,894
Capital improvements	–	–	209,804	–	209,804
Debt Service	<u>72,030</u>	<u>438,627</u>	<u>5,475</u>	<u>161,652</u>	<u>677,784</u>
Total expenditures	<u>1,042,887</u>	<u>438,627</u>	<u>215,279</u>	<u>562,310</u>	<u>2,259,103</u>
Revenues over (under) expenditures	<u>176,470</u>	<u>(28,950)</u>	<u>(214,689)</u>	<u>(70,902)</u>	<u>(138,071)</u>
Other financing sources (uses):					
Transfers in	10,000	31,946	–	144,539	186,485
Transfers out	<u>(133,527)</u>	<u>–</u>	<u>–</u>	<u>(31,012)</u>	<u>(164,539)</u>
Total other financing sources (uses)	<u>(123,527)</u>	<u>31,946</u>	<u>–</u>	<u>113,527</u>	<u>21,946</u>
Revenues and other sources over (under) expenditures and other uses	52,943	2,996	(214,689)	42,625	(116,125)
Fund balances (deficits), beginning of year	<u>142,084</u>	<u>5,388</u>	<u>(208,141)</u>	<u>427,532</u>	<u>366,863</u>
Fund balances (deficits), end of year	<u>\$ 195,027</u>	<u>\$ 8,384</u>	<u>\$ (422,830)</u>	<u>\$ 470,157</u>	<u>\$ 250,738</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES TO THE STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2011**

Net Change in Fund Balances – Total Governmental Funds \$ (116,125)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. In the current period, these  
amounts are:

Capital outlays	\$ 202,827
Depreciation	<u>(283,546)</u>

Excess of depreciation expense over capital outlays	(80,719)
---	----------

In the statement of activities, the gain or loss from the disposal of capital assets is reported, whereas in the governmental funds, only any proceeds from the disposal increase financial resources.	(27,618)
--	----------

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due	(2,603)
--	---------

Repayment of debt principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net assets:

General obligation bond payment	310,000
Clearwater Public Building Commission revenue bond payment	115,000
Capital leases payment	<u>71,233</u>

Total payments on long-term liabilities	496,233
---	---------

Special assessments are not considered available to liquidate liabilities of the current period. However, they are recognized as revenue in the Statement of Activities as soon as the related Improvement is completed and the special assessments are levied	(183,831)
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Some expenses reported in the statement of activities do  
not require the use of current financial resources and  
therefore are not reported as expenditures in the funds:

Prepaid items	3,018
Compensated absences payable	<u>(4,113)</u>

Total	<u>(1,095)</u>
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Change in Net Assets of Governmental Activities	<u>\$ 84,242</u>
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The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS  
(continued on next page)**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 557,711	\$ 557,711	\$ 570,427	\$ 12,716
Intergovernmental	203,368	203,368	199,575	(3,793)
Licenses, fees and permits	106,100	111,160	145,478	34,318
Charges for services	202,500	202,500	204,661	2,161
Fines and forfeitures	27,220	27,220	44,102	16,882
Use of money and property	19,000	19,000	21,666	2,666
Miscellaneous	12,500	21,240	–	(21,240)
Reimbursements	–	12,339	28,085	15,746
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>–</u>
 Total revenues and other sources	 <u>1,138,399</u>	 <u>1,164,538</u>	 <u>1,223,994</u>	 <u>59,456</u>
Expenditures, encumbrances and other uses:				
General government:				
Administration	194,576	194,576	203,713	(9,137)
Personnel development	8,100	4,300	5,598	(1,298)
Debt service	154,613	34,113	34,112	1
Transfers out	<u>124,000</u>	<u>150,500</u>	<u>133,527</u>	<u>16,973</u>
 Total general government	 <u>481,289</u>	 <u>383,489</u>	 <u>376,950</u>	 <u>6,539</u>
Public safety:				
Police	318,090	318,090	305,058	13,032
Emergency volunteer services – ambulance	39,019	39,019	39,448	(429)
Emergency volunteer services – fire	38,628	38,628	44,317	(5,689)
Municipal Court	55,657	55,657	58,224	(2,567)
Debt service	<u>28,778</u>	<u>28,778</u>	<u>28,068</u>	<u>710</u>
 Total public safety	 <u>480,172</u>	 <u>480,172</u>	 <u>475,115</u>	 <u>5,057</u>

## CITY OF CLEARWATER, KANSAS

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS

(continued from previous page)

Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Highways and streets:				
Street lights	\$ 20,000	\$ 19,900	\$ 19,551	\$ 349
Health and sanitation:				
Sanitation	92,850	92,850	119,017	(26,167)
Public Works:				
Shop	12,235	12,235	11,681	554
Culture and recreation:				
Parks	79,530	79,530	71,423	8,107
Aquatic Center	68,790	68,790	63,526	5,264
Community/Senior Center	17,538	17,538	17,145	393
Historical museum	5,360	5,260	4,804	456
Library	6,800	6,000	7,352	(1,352)
Debt service	—	—	9,849	(9,849)
Total culture and recreation	178,018	177,118	174,099	3,019
Total expenditures, encumbrances and other uses	1,264,564	1,165,764	1,176,413	(10,649)
Budget credit – excess of actual reimbursed expenditures over budgeted reimbursed expenditures	15,746	15,746	—	15,746
Total expenditures for budgetary comparison	1,280,310	1,181,510	1,176,413	5,097
Revenues and other sources over (under) expenditures, encumbrances and other uses	(126,165)	(1,226)	47,581	48,807
Fund balance, beginning of year	126,165	126,165	87,723	(38,442)
Fund balance, end of year	\$ —	\$ 124,939	\$ 135,304	\$ 10,365

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CLEARWATER, KANSAS**  
**STATEMENT OF NET ASSETS – ALL ENTERPRISE FUNDS**  
**December 31, 2011**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Total Enterprise Funds</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 82,642	\$ 79,279	\$ 161,921
Trade accounts receivable	<u>18,351</u>	<u>38,038</u>	<u>56,389</u>
Total current assets	<u>100,993</u>	<u>117,317</u>	<u>218,310</u>
Noncurrent assets:			
Capital assets:			
Land	15,450	48,919	64,369
Buildings	82,528	15,494	98,022
Improvements other than buildings	1,598,173	2,874,425	4,472,598
Machinery	<u>149,498</u>	<u>156,910</u>	<u>306,408</u>
	1,845,649	3,095,748	4,941,397
Less accumulated depreciation	<u>(933,874)</u>	<u>(1,279,595)</u>	<u>(2,213,469)</u>
Capital assets, net	<u>911,775</u>	<u>1,816,153</u>	<u>2,727,928</u>
Total assets	<u>1,012,768</u>	<u>1,933,470</u>	<u>2,946,238</u>

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 7,160	\$ 1,951	\$ 9,111
Compensated absences payable	17,677	9,617	27,294
Current portion of revolving loan note payable	–	70,344	70,344
Accrued interest payable	–	9,679	9,679
Total current liabilities	<u>24,837</u>	<u>91,591</u>	<u>116,428</u>
Noncurrent liabilities:			
Long-term portion of compensated absences payable	19,483	10,200	29,683
Long-term portion of revolving loan note payable	–	917,355	917,355
Total other liabilities	<u>19,483</u>	<u>927,555</u>	<u>947,038</u>
Total liabilities	<u>44,320</u>	<u>1,019,146</u>	<u>1,063,466</u>
<b><u>NET ASSETS</u></b>			
Net assets:			
Invested in capital assets, net	911,775	828,454	1,740,229
Unrestricted	<u>56,673</u>	<u>85,870</u>	<u>142,543</u>
Total net assets	<u>\$ 968,448</u>	<u>\$ 914,324</u>	<u>\$ 1,882,772</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS –**  
**ALL ENTERPRISE FUNDS**

**Year ended December 31, 2011**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 334,733	\$ 323,510	\$ 658,243
Miscellaneous	<u>1,627</u>	<u>411</u>	<u>2,038</u>
Total operating revenues	<u>336,360</u>	<u>323,921</u>	<u>660,281</u>
Operating expenses:			
Personnel services	215,054	151,938	366,992
Contractual services	31,376	42,381	73,757
Commodities	43,711	6,228	49,939
Miscellaneous	7,521	–	7,521
Depreciation	<u>43,436</u>	<u>95,646</u>	<u>139,082</u>
Total operating expenses	<u>341,098</u>	<u>296,193</u>	<u>637,291</u>
Operating income (loss)	<u>(4,738)</u>	<u>27,728</u>	<u>22,990</u>
Nonoperating revenues (expense):			
Interest income	201	286	487
Interest expense	–	(29,879)	(29,879)
Loss on disposal of capital assets	<u>(35,528)</u>	<u>(2,519)</u>	<u>(38,047)</u>
Total nonoperating revenue (expense)	<u>(35,327)</u>	<u>(32,112)</u>	<u>(67,439)</u>
Loss before transfers and contributions	(40,065)	(4,384)	(44,449)
Transfers out	(16,946)	(5,000)	(21,946)
Contribution from municipality	<u>–</u>	<u>54,987</u>	<u>54,987</u>
Change in net assets	(57,011)	45,603	(11,408)
Net assets, beginning of year	<u>1,025,459</u>	<u>868,721</u>	<u>1,894,180</u>
Net assets, end of year	<u>\$ 968,448</u>	<u>\$ 914,324</u>	<u>\$ 1,882,772</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS**  
(continued on next page)

**Year ended December 31, 2011**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 333,082	\$ 322,671	\$ 655,753
Cash payments for materials and services	(76,783)	(47,464)	(124,247)
Cash payments to employees for services	(216,625)	(154,357)	(370,982)
Other cash receipts	<u>1,627</u>	<u>410</u>	<u>2,037</u>
Net cash provided by (used for) operating activities	<u>41,301</u>	<u>121,260</u>	<u>162,561</u>
Cash flows from capital and related financing activities:			
Principal paid on revolving loan note payable	–	(68,320)	(68,320)
Interest paid on debt	–	(30,549)	(30,549)
Acquisition and construction of capital assets	<u>(846)</u>	<u>(2,422)</u>	<u>(3,268)</u>
Net cash provided (used) by capital And related financing activities	<u>(846)</u>	<u>(101,291)</u>	<u>(102,137)</u>
Cash flows from noncapital financing activities:			
Repayments from (to) other funds	3,923	(3,923)	–
Transfers to other funds	<u>(16,946)</u>	<u>(5,000)</u>	<u>(21,946)</u>
Net cash provided (used) by noncapital financing activities	<u>(13,023)</u>	<u>(8,923)</u>	<u>(21,946)</u>
Cash flows from investing activities:			
Interest income	<u>201</u>	<u>286</u>	<u>487</u>
Net increase (decrease) in cash and cash equivalents	27,633	11,332	38,965
Cash and cash equivalents, beginning of year	<u>55,009</u>	<u>67,947</u>	<u>122,956</u>
Cash and cash equivalents, end of year	<u>\$ 82,642</u>	<u>\$ 79,279</u>	<u>\$ 161,921</u>

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS**  
(continued from previous page)

**Year ended December 31, 2011**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (4,738)	\$ 27,728	\$ 22,990
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	43,436	95,646	139,082
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(1,650)	(840)	(2,490)
Increase (decrease) in accounts payable	5,825	1,145	6,970
Increase in compensated absences payable	<u>(1,572)</u>	<u>(2,419)</u>	<u>(3,991)</u>
Net cash provided by operating activities	<u>\$ 41,301</u>	<u>\$ 121,260</u>	<u>\$ 162,561</u>

**Noncash capital and related financing activities:**

The Sewer Utility Fund received noncash contributions of assets from the municipality for system improvements during 2011 in the amount of \$54,987.

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CLEARWATER, KANSAS**  
**STATEMENT OF FIDUCIARY NET ASSETS –**  
**FIDUCIARY FUNDS**

**December 31, 2011**

	<u>Agency Funds</u>
Assets:	
Cash including investments	\$     –
Due from employees	<u>3,232</u>
	<u>\$ 3,232</u>
Liabilities:	
Due to other funds	<u>\$ 3,232</u>

The accompanying notes are an  
integral part of the financial statements.

**CITY OF CLEARWATER, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water and sewer utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Clearwater, Kansas (the primary government) and its component unit. The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely presented component unit**

The component unit columns in the combined financial statements include the financial data of the accounts managed by the Clearwater Public Library Board. It is reported in a separate column to emphasize that it is legally separate from the City however, the governing body of this component unit is appointed by the Mayor with approval by the City Council. In addition, the City provides facilities and performs most accounting functions for the Library. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Library Board also receives funding through state assistance programs and community donations. The Library operations are accounted for using the same principles as the governmental fund types of the City. The Library Board does not issue separate audited financial statements.

**Blended component unit**

The Clearwater Public Building Commission was established in October 1999 by Ordinance of the Clearwater City Council. The Clearwater Public Building Commission is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Clearwater Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and facilities. The financial activities of the Clearwater Public Building Commission are reflected in the Clearwater Public Building Commission special revenue fund.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Basis of presentation**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance in their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City's basic financial statements include both government-wide, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

### **Government-wide financial statements**

The government-wide financial statements, consisting of the statement of net assets and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net assets presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

### **Fund financial statements**

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for and report all financial resources not accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Water Utility Fund – The Water Utility Fund is used to account for the operation of the municipal water utility including water supply, treatment and distribution.

Sewer Utility Fund – The Sewer Utility Fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

The City also reports the following fund types:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects

Agency Funds – The agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments. The City reports a Payroll Withholding Tax fund to account for withholdings from City employees' that are due to others.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Licenses, fees, fines, forfeitures, charges for services and other revenue are generally not susceptible to accrual and are recorded when received in cash.

### **Cash and short-term investments**

Cash and short-term investments include amounts in demand deposit, money market accounts and certificates of deposit. Investments are carried at fair value. Deposits are reported at their carrying amount, which approximates fair value. For purposes of the statement of cash flows, the Water Utility Fund and Sewer Utility Fund consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. Interest income is credited to the various funds of the City based on average cash balances available for investment.

### **Property taxes and other receivables**

In accordance with governing State statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on January 1 and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the balance sheets of the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Recognized State-shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and state grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

### **Special assessments receivable**

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's Debt Service Fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's Debt Service

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund. Special assessment taxes are levied over a ten or fifteen-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Debt Service Fund and accrued as revenues in the Statement of Net Assets. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as unearned revenue in the funds statement.

### **Sales tax receivable**

Sedgwick County imposes a 1% countywide local sales tax that is collected by the State and remitted to the City on a monthly basis. The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

### **Franchise fees receivable**

Franchise fees are remitted to the City on a monthly, quarterly or annual basis. Such fees are based on gross receipts by the franchisor for the remittance period. At year-end, the franchise fees based on gross receipts during the City's fiscal year have been accrued as revenues since they are considered available to liquidate expenditures of the current period.

### **Inventories and prepaid items**

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

### **Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$500 or more. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost,

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for the City's infrastructure assets include only those assets acquired subsequent to January 1, 2004. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	40 to 50 years
Improvements other than buildings	20 to 40 years
Infrastructure (streets)	20 years
Machinery and equipment	3 to 20 years

Amortization of capital leases is included in depreciation.

### **Revenue recognition for utility funds**

Revenue is recorded as billed to customers on a cycle basis. Residential and commercial customers are billed monthly. Unbilled service receivables are not accrued at year-end and are not significant to the enterprise fund types.

### **Compensated absences**

The City's policies regarding vacation permits full-time employees with one to four years service to earn 10 days vacation pay, five to nine years of service earn 15 days vacation pay and ten or more years of service earn vacation pay at the rate of twenty days per year. Vacation time must be taken within one year of accrual. Sick leave is allowed to accumulate at the rate of one day for each full month of service with a maximum accumulation of 60 days. At termination, an employee shall be compensated for all accumulated vacation pay. All accumulated sick leave is canceled upon termination. The liabilities for accrued compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Accrued liabilities and long-term debt**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

A long-term liability for the revolving loan note payable to the Kansas Department of Health and Environment is recorded in the Sewer Utility enterprise fund. Principal payments are deducted from the liability as made.

The present value of net minimum capitalized lease payments is recorded as expenditures in the applicable governmental fund and subsequent lease payments are accounted for as debt service expenditures.

### **Pension plan**

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System which is a cost sharing multi-employer statewide defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

### **Concentration of credit risk**

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City.

### **Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### **Net assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the governing body or through external restrictions imposed by creditors, grantors or laws

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

### Equity Classifications

In the government-wide financial statements, equity is reflected as net assets and classified into three components:

- Invested in capital assets, net of related debt – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted net assets – consisting of net assets with constraints place on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.
- Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

During 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (see Note 14). The new statement changes how fund balances are classified and reported, and clarified the definitions of existing governmental fund types. In the governmental funds financial statements, equity is classified into potential five components:

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Unassigned – this represents the residual classification for the General Fund.

### **Budgetary principles**

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. The Senior Citizens, Police Reserves, Donations Ambulance, Donations Crimestoppers, Donations Fire, Donations Park, Donations Historical Society, Donations Senior Center Building, Law Enforcement Trust and Clearwater Public Building Commission funds are exempt from legally adopted budgetary requirements. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. During 2011, the City Council amended the following individual fund budgets:

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
General	\$ 1,264,564	\$ 1,165,764
Special Parks and Recreation	500	5,500

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year except for capital project fund appropriations which are carried forward until such time as the project is



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

completed or terminated. Accordingly, the actual data presented in the budgetary comparison statements differ from the data presented in the financial statements prepared in accordance with generally accepted accounting principles.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## 2. DEPOSITS AND INVESTMENTS

### Deposits

K.S.A. 9-1401 establishes the depositories that may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

### Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2011, is as follows:

Emprise Bank	100%
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### Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and

## 2. DEPOSITS AND INVESTMENTS (continued)

requires deposits to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

At year-end, the carrying amount of the City's deposits was \$638,779 with the bank balances of such accounts being \$727,549. Of the bank balances, \$271,575 was covered by federal depository insurance and the remaining balance of \$455,974 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its bank. The fair value of the pledged securities held by the City's custodial bank was \$2,120,804 at December 31, 2011.

The City's discretely presented component unit cash and investments at December 31, 2011 consisted of checking, savings and certificate of deposit accounts. At year-end, the carrying amount and the bank balances of the City's discretely presented component unit deposits were \$41,414, which were entirely covered by federal depository insurance.

The City's blended component unit cash and investments at December 31, 2011 consisted of a money market checking account and certificate of deposit. At year-end, the carrying amount and the bank balances of the City's blended component unit deposits were \$202,550, which were entirely covered by federal depository insurance.

A reconciliation of cash and investments as reported in the Statement of Net Assets at December 31, 2011 is as follows:

Carrying amount of deposits – City	\$ 638,779
Carrying amount of deposits – blended component unit	202,550
Carrying amount of deposits – discretely presented component unit	<u>41,414</u>
Total	<u>\$ 882,743</u>
Amounts per Statement of Net Assets:	
Cash and investments	\$ 841,329
Cash and investments – discretely presented component unit	<u>41,414</u>
Total	<u>\$ 882,743</u>

## 3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2011 is as follows:

### 3. CAPITAL ASSETS (continued)

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 539,575	\$ —	\$ —	\$ 539,575
Construction work In progress	<u>69,233</u>	<u>219,231</u>	<u>278,992</u>	<u>9,472</u>
	<u>608,808</u>	<u>219,231</u>	<u>278,992</u>	<u>549,047</u>
Capital assets being depreciated:				
Buildings	1,060,702	—	5,151	1,055,551
Improvements other than buildings	1,825,053	9,968	61,889	1,773,132
Infrastructure	1,997,677	245,380	—	2,243,057
Machinery and equipment	<u>1,636,613</u>	<u>7,240</u>	<u>95,395</u>	<u>1,548,458</u>
Total capital assets being depreciated	<u>6,520,045</u>	<u>262,588</u>	<u>162,435</u>	<u>6,620,198</u>
Less accumulated depreciation for:				
Buildings	230,147	30,978	4,918	256,207
Improvements other than buildings	985,141	77,697	38,650	1,024,188
Infrastructure	437,869	99,005	—	536,874
Machinery and equipment	<u>1,071,826</u>	<u>75,866</u>	<u>91,249</u>	<u>1,056,443</u>
Total accumu- lated depreciation	<u>2,724,983</u>	<u>283,546</u>	<u>134,817</u>	<u>2,873,712</u>
Total capital assets being deprec- iated, net	<u>3,795,062</u>	<u>(20,958)</u>	<u>27,618</u>	<u>3,746,486</u>

### 3. CAPITAL ASSETS (continued)

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Governmental activities capital assets, net	<u>\$ 4,403,870</u>	<u>\$ 198,273</u>	<u>\$ 306,610</u>	<u>\$ 4,295,533</u>

#### **Business-Type Activities:**

Capital assets, not being depreciated				
Land	<u>\$ 64,369</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 64,369</u>
Capital assets being depreciated:				
Buildings	98,687	—	665	98,022
Improvements other than buildings	4,705,456	57,408	287,844	4,475,020
Machinery and equipment	<u>377,443</u>	<u>846</u>	<u>74,303</u>	<u>303,986</u>
Total capital assets being depreciated	<u>5,181,586</u>	<u>58,254</u>	<u>362,812</u>	<u>4,877,028</u>
Less accumulated depreciation for:				
Buildings	31,735	3,677	588	34,824
Improvements other than buildings	2,090,560	118,545	251,434	1,957,671
Machinery and equipment	<u>276,858</u>	<u>16,860</u>	<u>72,744</u>	<u>220,974</u>
Total accumu- lated depreciation	<u>2,399,153</u>	<u>139,082</u>	<u>324,766</u>	<u>2,213,469</u>
Total capital assets being depreciated, net	<u>2,782,433</u>	<u>(80,828)</u>	<u>38,046</u>	<u>2,663,559</u>

### 3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2011</u>
Business-type activities capital assets, net	\$ <u>2,846,802</u>	\$ <u>(80,828)</u>	\$ <u>38,046</u>	\$ <u>2,727,928</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 12,496
Public safety	39,651
Highways and streets (including depreciation of infrastructure assets)	111,864
Culture and recreation	<u>119,535</u>
Total depreciation expense – governmental activities	\$ <u>283,546</u>
Business-type activities:	
Water Utility	\$ 43,436
Sewer Utility	<u>95,646</u>
Total depreciation expense – business-type activities	\$ <u>139,082</u>

### 4. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions of the City for the year ended December 31, 2011:

	Outstanding January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding December 31, <u>2011</u>	Due Within <u>One Year</u>
<b><u>Governmental activities</u></b>					
General obligation bonds	\$3,190,000	\$ –	\$ 310,000	\$ 2,880,000	\$ 270,000
Clearwater Public Building Commission					
revenue bonds	490,000	–	115,000	375,000	115,000
Capital lease obligations	491,880	–	71,233	420,647	51,719
Compensated absences	<u>55,265</u>	<u>32,528</u>	<u>28,415</u>	<u>59,378</u>	<u>30,530</u>
Total long-term liabilities – Governmental activities	\$ <u>4,227,145</u>	\$ <u>32,528</u>	\$ <u>524,648</u>	\$ <u>3,735,025</u>	\$ <u>467,249</u>

#### 4. LONG-TERM DEBT (continued)

	Outstanding January 1, 2011	Additions	Deletions	Outstanding December 31, 2011	Due Within One Year
<b><u>Business-type activities</u></b>					
Revolving loan note payable	\$1,056,019	\$ —	\$ 68,320	\$ 987,699	\$ 70,344
Compensated absences	<u>60,968</u>	<u>25,224</u>	<u>29,215</u>	<u>56,977</u>	<u>27,294</u>
Total long-term liabilities – Business-Type activities	<u>\$1,116,987</u>	<u>\$ 25,224</u>	<u>\$ 97,535</u>	<u>\$ 1,044,676</u>	<u>\$ 97,638</u>

#### **General obligation bonds**

General obligation bonds payable are serial bonds to be retired through calendar year 2023. At December 31, 2011 the outstanding general obligation bonds consist of the following:

	Interest Rates	Bonds Outstanding
General Obligation Bonds, Series 2000	4.60 - 6.50%	\$ 200,000
General Obligation Refunding Bonds, Series 2002	1.60 – 3.80%	40,000
General Obligation Bonds, Series 2003	3.25 – 5.25%	665,000
General Obligation Bonds, Series 2005	3.35 – 4.10%	610,000
General Obligation Bonds, Series 2006	3.70 – 4.25%	545,000
General Obligation Bonds, Series 2007	3.60 – 4.15%	<u>820,000</u>
		<u>\$ 2,880,000</u>

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes.

Series 2000 bonds maturing in the years 2011 and thereafter, may be called for redemption and payment on August 1, 2008, and thereafter as a whole or in part at any time on any interest payment date at 100% of the principal amount outstanding plus accrued interest to the redemption date.

Series 2002 refunding bonds maturing on October 1, 2008 and thereafter may be called for redemption and payment on October 1, 2007, and thereafter as a whole or in part at any time on any interest payment date at 100% of the principal amount outstanding plus accrued interest to the redemption date.

The Series 2003 bonds maturing on October 1, 2013, may be called for redemption and payment on October 1, 2012, and thereafter as a whole or in part at any time, at 100% of the principal amount outstanding plus accrued interest to the redemption date.

#### 4. LONG-TERM DEBT (continued)

The Series 2005 bonds maturing on October 1, 2014, and thereafter, may be called for redemption and payment on October 1, 2013, and thereafter as a whole or in part at any time, at 100% of the principal amount outstanding plus accrued interest to the redemption date.

The Series 2006 bonds maturing in the years 2014 and thereafter, may be called for redemption and payment prior to their stated maturity on April 1, 2013, and thereafter as a whole or in part at any time, at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2007 bonds maturing in the years 2015 and thereafter, may be called for redemption and payment prior to their stated maturity on October 1, 2014, and thereafter as a whole or in part at any time, at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

Annual debt service requirements to maturity for all general obligation bonds outstanding at December 31, 2011 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 270,000	\$ 119,633	\$ 389,633
2013	245,000	108,847	353,847
2014	250,000	98,610	348,610
2015	265,000	88,133	353,133
2016	220,000	76,888	296,888
2017	230,000	68,137	298,137
2018	240,000	58,750	298,750
2019	250,000	48,719	298,719
2020	260,000	38,156	298,156
2021	280,000	26,963	306,963
2022	210,000	15,017	225,017
2023	<u>160,000</u>	<u>7,095</u>	<u>167,095</u>
	<u>\$ 2,880,000</u>	<u>\$ 754,948</u>	<u>\$ 3,634,948</u>

#### Clearwater Public Building Commission revenue bonds

During 2004, the Clearwater Public Building Commission issued Refunding Revenue Bonds, Series 2004 in the principal amount of \$1,110,000 bearing interest from 2.00% to 4.20% to refund the outstanding Series 2000 revenue bonds.

The Series 2004 refunding revenue bonds maturing in the years 2011 and thereafter, may be called for redemption and payment on November 1, 2009, and thereafter as a whole or in part at any time on any interest payment date at 100% of the principal amount outstanding plus accrued interest to the redemption date.

#### 4. LONG-TERM DEBT (continued)

Annual debt service requirements to maturity for the Series 2004 refunding revenue bonds outstanding at December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 115,000	\$ 15,395	\$ 130,395
2013	125,000	10,795	135,795
2014	<u>135,000</u>	<u>5,670</u>	<u>140,670</u>
	<u>\$ 375,000</u>	<u>\$ 31,860</u>	<u>\$ 406,860</u>

The Series 2004 refunding revenue bond debt payments will be serviced through lease rentals received from the City of Clearwater via a lease agreement with the Clearwater Public Building Commission dated December 15, 2004. The annual lease payments to be received under the terms of the lease agreement are equal to the debt service requirements of the Clearwater Public Building Commission Series 2004 refunding revenue bonds.

Pursuant to the lease agreement, the City of Clearwater entered into an interlocal agreement with the Clearwater Recreation Commission who has approved and implemented a two-mill ad valorem tax levy for the purpose of paying the City's costs under the lease agreement with the Clearwater Public Building Commission. Under the terms of the interlocal agreement, the Clearwater Recreation Commission is required to remit to the City all funds derived from the aforementioned tax levy on or before April 1 and October 1 of each year. The interlocal agreement shall remain in force for a term ending October 1, 2014, or until all lease payments due from the City to the Clearwater Public Building Commission are paid, whichever is earlier.

##### Capitalized lease obligations

During 2008, the City entered into two separate lease agreements for the purchase of police vehicles. The leases require monthly lease payments of \$710 and \$735, including interest, through June 2011. These leases are being serviced through the City's General Fund.

During 2008, the City entered into a lease agreement for the purchase of land for an industrial park. The lease requires annual lease payments of \$34,112, including interest, through March 2023. This lease is being serviced through the City's General Fund.

During 2008, the City entered into a lease agreement for the purchase of a fire truck. The lease requires monthly lease payments of \$1,494, including interest, through January 2019. This lease is being serviced through the City's General Fund.

During 2007, the City entered into a lease agreement for the purchase of an ambulance. The lease requires semi-annual lease payments of \$11,972, including interest, through April 2012. This lease is being serviced through the Emergency Medical Services Fees Fund.



#### 4. LONG-TERM DEBT (continued)

The City entered into a lease agreement for the purchase of a recreational facility lighting system during 2002. The lease requires annual lease payments of \$9,849, including interest, through October 2012. These payments are serviced through the City's General and Park Donations Funds.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The annual requirements to amortize the capital lease obligations outstanding at December 31, 2011, including interest payments, are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Ambulance</u>	<u>Recreation Facility Lighting System</u>
2012	\$ 11,972	\$ 9,849
Total minimum lease payments	11,972	9,849
Less amount representing interest	<u>(291)</u>	<u>(514)</u>
Present value of minimum lease payments	<u>\$ 11,681</u>	<u>\$ 9,335</u>

<u>Year ending</u> <u>December 31,</u>	<u>Industrial Park Land</u>	<u>Fire Truck</u>	<u>Total Capital Leases</u>
2012	\$ 34,112	\$ 17,927	\$ 73,860
2013	34,112	17,927	52,039
2014	34,112	17,927	52,039
2015	34,112	17,927	52,039
2016	34,112	17,927	52,039
2017	34,112	17,927	52,039
2018	34,112	17,473	51,585
2019	34,112	—	34,112
2020	34,112	—	34,112
2021	34,112	—	34,112
2022	34,112	—	34,112
2023	<u>34,112</u>	<u>—</u>	<u>34,112</u>
Total minimum lease payments	409,344	125,035	556,200
Less amount representing interest	<u>(113,517)</u>	<u>(21,231)</u>	<u>(135,553)</u>
Present value of mini- mum lease payments	<u>\$ 295,827</u>	<u>\$ 103,804</u>	<u>\$ 420,647</u>

#### 4. LONG-TERM DEBT (continued)

The cost and accumulated depreciation of the equipment under capital lease at December 31, 2011 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Ambulance	\$ 104,780	\$ 52,390
Recreational facility lighting system	99,080	45,412
Police vehicles	47,390	47,390
Fire truck	166,950	33,392
Industrial park land	345,000	—

#### Compensated absences

The governmental funds portion of outstanding compensated absence liabilities is principally liquidated from resources of the General Fund.

#### Revolving loan note payable

The City Council entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for financing wastewater treatment plant improvements during 2003. At December 31, 2011, the principal amount of the loan agreement is \$1,056,019 at an interest rate of 2.94%. The loan agreement provides for semiannual payments in the amount of \$49,434, including principal and interest, through September 1, 2023. The debt service requirements for the loan will be provided from resources available in the Sewer System Fund. Annual debt service requirements to maturity for note payable balance outstanding at December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 70,343	\$ 28,525	\$ 98,868
2013	72,427	26,441	98,868
2014	74,572	24,296	98,868
2015	76,780	22,088	98,868
2016	79,054	19,814	98,868
2017	81,395	17,473	98,868
2018	83,806	15,062	98,868
2019	86,288	12,580	98,868
2020	88,844	10,024	98,868
2021	91,475	7,393	98,868
2022	94,184	4,684	98,868
2023	<u>88,531</u>	<u>1,895</u>	<u>90,426</u>
	<u>\$ 987,699</u>	<u>\$ 190,275</u>	<u>\$1,177,974</u>

## 5. TEMPORARY NOTES PAYABLE

Kansas law permits the issuance of temporary notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. Prior to the issuance of the temporary notes, the governing body must take necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. The City issued \$480,000 and retired \$200,000 of temporary notes during 2011. Temporary notes outstanding at December 31, 2011 are payable as follows:

	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
Capital Project Fund:			
General Obligation Temporary			
Renewal and Improvement Notes,			
Series 2011	1.00%	\$ 480,000	4-1-2013

During 2011, the temporary note activity for the Business Park Capital Improvement Project was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$ 200,000	\$ 480,000	\$ 200,000	\$ 480,000

## 6. PENSION PLAN

### Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas, Suite 100, Topeka, Kansas 66603 or by calling 1-888-275-5737.

### Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and 6% for new participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the

## 6. PENSION PLAN

Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by statute, for the period from January 1, 2011 to December 31, 2011 was 7.74%. Included in this rate is the contribution for Group Death and Disability Insurance of 1%. There was a moratorium on the collection of Group Death and Disability Insurance premiums from April 1, 2011 through June 30, 2011. The City's contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$49,732, \$42,713 and \$39,947, respectively, equal to the statutory required contributions for each year.

## 7. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from data presented in accordance with generally accepted accounting principles (GAAP) for the governmental fund types. The following reconciliation's are presented to provide a correlation between the different bases of reporting:

	General <u>Fund</u>	Debt Service <u>Fund</u>	Other Nonmajor Governmental <u>Funds</u>
GAAP Fund Balance at December 31, 2011	\$ 195,027	\$ 8,384	\$ 470,157
Adjustments:			
Accrued sales tax revenues	(28,344)	—	—
Accrued franchise fee revenues	(31,379)	—	—
Fund balances not subject to the Kansas budget law	<u>—</u>	<u>—</u>	<u>(261,679)</u>
Budgetary Fund Balance at December 31, 2011	<u>\$ 135,304</u>	<u>\$ 8,384</u>	<u>\$ 208,478</u>

## 8. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2011, individual capital project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

## 8. CAPITAL PROJECT AUTHORIZATIONS (continued)

	Project authorizations	Expenditures project inception to December 31, 2011
Clearwater Business Park Project	\$ 989,680	\$ 779,134

## 9. INTERFUND RECEIVABLES/PAYABLES

Individual interfund receivables and payables (due to/due from other funds) at December 31, 2011 were as follows:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Major Funds:		
General	\$ 3,232	\$ —
Fiduciary Funds:		
Payroll Tax Withholding	—	3,232
	<u>\$ 3,232</u>	<u>\$ 3,232</u>

At December 31, 2011 the Payroll Tax Withholding Fund had remitted payments that had not been withheld from employees at year-end. As a result the General Fund advanced to the Payroll Tax Withholding Fund \$3,232 at December 31, 2011.

## 10. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2011 is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Funds:		
General	\$ 10,000	\$ 133,527
Debt Service	31,946	—
Water Utility	—	16,946
Sewer Utility	—	5,000
	<u>41,946</u>	<u>155,473</u>
Total transfers for major funds		
	<u>41,946</u>	<u>155,473</u>
Nonmajor Funds:		
Capital Improvement	—	31,012

## 10. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Clearwater Public Building Commission	\$ 144,539	\$ —
Total transfers for nonmajor funds	<u>144,539</u>	<u>31,012</u>
Total transfers	<u>\$ 186,485</u>	<u>\$ 186,485</u>

Significant routine transfers involve the lease payments required by the City to the Clearwater Public Building Commission and were made from the General Fund and the Capital Improvement Fund in the amounts of \$113,527 and \$31,012, respectively. In addition, the Water Utility and Sewer Utility annually transfer to the General Fund in the amounts of \$5,000 and \$5,000, respectively.

Nonroutine transfers included \$11,946 from the Water Utility Fund to the Debt Service Fund. In addition, transfers from the General Fund in the amount of \$20,000 were made to the Debt Service fund.

## 11. COMPLIANCE WITH KANSAS LAW

Kansas statutes (K.S.A. 79-2935) prohibit expenditures in excess of the adopted budget of individual funds. During 2011, the expenditures of the Employee Benefits Fund and the Library Employee Benefits Fund exceeded their adopted budget in the amounts of \$9,863 and \$3, respectively.

## 12. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

### **13. SUBSEQUENT EVENTS**

Subsequent to December 31, 2011, the City Council authorized the issuance and sale of General Obligation Temporary Improvement Notes, Series 2012, in the principal amount of \$765,000 with an interest rate of 1.5%. The Series 2012 Notes were issued to provide interim financing for construction of improvements for the Indian Lakes Addition.

### **14. FUND RECLASSIFICATIONS**

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, became effective for periods beginning after June 15, 2010. GASB Statement No. 54 provides for clarification of the definitions of the general, special revenue, capital projects and permanent fund types. There were no changes in the individual fund classifications for 2011 and there was no affect on the City's total reported fund balance or changes in fund balances as a result of the implementation of GASB Statement No. 54.

**COMBINING FINANCIAL STATEMENTS  
AND  
INDIVIDUAL FUND SCHEDULES**



## **GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

**Special Highway Fund** – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

**Employee Benefits Fund** – to account for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes, health insurance, life insurance and pension contributions for employees of the City.

**Special Liability Insurance Fund** – to account for costs incurred related to legal defense, claims, and other direct and indirect costs resulting from the Kansas Tort Claims Act.

**Special Parks and Recreation Fund** – to account for the state shared tax for parks and recreation.

**Capital Improvement Fund** – to account for the financing of public improvements including the repair, restoration and rehabilitation of existing public facilities.

**Library Fund** – to account for the taxes levied for the funding for the operation of the public library.

**Library Employee Benefits Fund** – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

**Emergency Medical Services Fees Fund** – to account for the fees assessed to City residents to provide resources for emergency medical services operations.

**Senior Citizens Fund** – to account for moneys appropriated to the City from Sedgwick County for senior citizen's activities.

**Police Reserves Fund** – to account for donations specified for use in police reserve activities.

**Donations Ambulance Fund** – to account for public donations specified for use in providing emergency ambulance services.

**Donations Crimestoppers Fund** – to account for public donations specified for use in policing activities.

## **NONMAJOR SPECIAL REVENUE FUNDS (continued)**

**Donations Fire Fund** – to account for public donations specified for use in providing fire-fighting activities.

**Donations Park Fund** – to account for public donations and grants specified for use in providing park facilities for the public.

**Donations Historical Society Fund** – to account for public donations and membership proceeds for providing a Historical Museum in the City.

**Donations Senior Center Building Fund** – to account for public donations for providing a new Senior Center Building.

**Law Enforcement Trust Fund** – to account for the proceeds from forfeitures of property obtained through the County Attorney's office related to drug offense prosecutions.

**Clearwater Public Building Commission** – the Clearwater Public Building Commission is a component unit of the City and is used to account for the acquisition and subsequent debt service of public buildings utilized by the City.

## CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
(continued on next page)

December 31, 2011

	Special Highway	Employee Benefits	Special Liability Insurance	Special Parks and Recreation	Capital Improve- ment	Library	Library Employee Benefits	Emergency Medical Services Fees	Senior Citizens	Police Reserves
<b><u>ASSETS</u></b>										
Cash and short-term investments	\$ 56,420	\$ 6,480	\$ 1,549	\$ 25,427	\$ 94,450	\$ –	\$ 920	\$ 20,991	\$ 8,124	\$ 2,339
Accounts receivable	–	417	–	–	–	–	–	2,668	–	–
Taxes receivable	–	152,178	5,437	–	55,548	55,548	4,848	–	–	–
Total assets	<u>\$ 56,420</u>	<u>\$ 159,075</u>	<u>\$ 6,986</u>	<u>\$ 25,427</u>	<u>\$ 149,998</u>	<u>\$ 55,548</u>	<u>\$ 5,768</u>	<u>\$ 23,659</u>	<u>\$ 8,124</u>	<u>\$ 2,339</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>										
Liabilities:										
Accounts payable	\$ 832	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 12	\$ –	\$ 1,401	\$ –
Deferred revenue	–	152,178	5,437	–	55,548	55,548	4,848	–	–	–
Total liabilities	<u>832</u>	<u>152,178</u>	<u>5,437</u>	<u>–</u>	<u>55,548</u>	<u>55,548</u>	<u>4,860</u>	<u>–</u>	<u>1,401</u>	<u>–</u>
Fund balances:										
Restricted for:										
General government	–	6,897	1,549	–	–	–	–	–	–	–
Public safety	–	–	–	–	–	–	–	23,659	–	–
Street maintenance and improvements	55,588	–	–	–	–	–	–	–	–	–
Culture and recreation	–	–	–	25,427	–	–	908	–	–	–
Committed for:										
Parks and recreation	–	–	–	–	94,450	–	–	–	–	–
Assigned for:										
Culture and recreation	–	–	–	–	–	–	–	–	6,723	2,339
Total fund balances	<u>55,588</u>	<u>6,897</u>	<u>1,549</u>	<u>25,427</u>	<u>94,450</u>	<u>–</u>	<u>908</u>	<u>23,659</u>	<u>6,723</u>	<u>2,339</u>
Total liabilities and fund balances	<u>\$ 56,420</u>	<u>\$ 159,075</u>	<u>\$ 6,986</u>	<u>\$ 25,427</u>	<u>\$ 149,998</u>	<u>\$ 55,548</u>	<u>\$ 5,768</u>	<u>\$ 23,659</u>	<u>\$ 8,124</u>	<u>\$ 2,339</u>

## CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
(continued from previous page)

December 31, 2011

	Donations Ambu- lance	Donations Crime- stoppers	Donations Fire	Donations Park	Donations Historical Society	Donations Senior Center Building	Law Enforce- ment Trust	Clearwater Public Building Commission	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>									
Cash and short-term investments	\$ 6,429	\$ 11,232	\$ 2,346	\$ 4,243	\$ 20,374	\$ 4,248	\$ 1,237	\$ 202,550	\$ 469,359
Accounts receivable	-	-	-	-	-	-	-	-	3,085
Taxes receivable	-	-	-	-	-	-	-	-	273,559
Total assets	<u>\$ 6,429</u>	<u>\$ 11,232</u>	<u>\$ 2,346</u>	<u>\$ 4,243</u>	<u>\$ 20,374</u>	<u>\$ 4,248</u>	<u>\$ 1,237</u>	<u>\$ 202,550</u>	<u>\$ 746,003</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,287
Deferred revenue	-	-	-	-	-	-	-	-	273,559
Total liabilities	<u>-</u>	<u>-</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,846</u>
Fund balances:									
Restricted for:									
General government	-	-	-	-	-	-	-	-	8,446
Public safety	6,429	11,232	2,304	-	-	-	1,237	-	44,861
Street maintenance and improvements	-	-	-	-	-	-	-	-	55,588
Culture and recreation	-	-	-	4,243	20,374	4,248	-	-	55,200
Committed for:									
Parks and recreation	-	-	-	-	-	-	-	-	94,450
Assigned for:									
General government	-	-	-	-	-	-	-	202,550	202,550
Culture and recreation	-	-	-	-	-	-	-	-	9,062
Total fund balances	<u>6,429</u>	<u>11,232</u>	<u>2,304</u>	<u>4,243</u>	<u>20,374</u>	<u>4,248</u>	<u>1,237</u>	<u>202,550</u>	<u>470,157</u>
Total liabilities and fund balances	<u>\$ 6,429</u>	<u>\$ 11,232</u>	<u>\$ 2,346</u>	<u>\$ 4,243</u>	<u>\$ 20,374</u>	<u>\$ 4,248</u>	<u>\$ 1,237</u>	<u>\$ 202,550</u>	<u>\$ 746,003</u>

## CITY OF CLEARWATER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
(continued on next page)**

**Year ended December 31, 2011**

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Special Liability Insurance</u>	<u>Special Parks and Recreation</u>	<u>Capital Improve- ment</u>	<u>Library</u>	<u>Library Employee Benefits</u>	<u>Emergency Medical Services Fees</u>	<u>Senior Citizens</u>	<u>Police Reserves</u>
Revenues:										
Taxes	\$ -	\$ 177,508	\$ 6,305	\$ 2,540	\$ 64,809	\$ 64,810	\$ 1,470	\$ -	\$ -	\$ -
Intergovernmental	93,375	-	-	1,030	-	-	-	-	18,000	-
Licenses, fees and permits	-	-	-	10,000	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	25,442	-	-
Use of money and property	502	267	16	108	500	-	21	79	2	-
Miscellaneous	287	-	302	-	-	-	-	-	2,495	-
Total revenues	<u>94,164</u>	<u>177,775</u>	<u>6,623</u>	<u>13,678</u>	<u>65,309</u>	<u>64,810</u>	<u>1,491</u>	<u>25,521</u>	<u>20,497</u>	<u>-</u>
Expenditures:										
General government	-	31,424	7,351	-	-	-	-	-	-	-
Public Safety	-	95,148	-	-	-	-	-	-	-	-
Highways and streets	85,112	14,407	-	-	-	-	-	-	-	-
Health and sanitation	-	1,305	-	-	-	-	-	-	-	-
Culture and recreation	-	44,098	-	5,000	-	64,810	6,677	-	18,037	-
Debt service	-	-	-	-	-	-	-	23,944	3,000	-
Total expenditures	<u>85,112</u>	<u>186,382</u>	<u>7,351</u>	<u>5,000</u>	<u>-</u>	<u>64,810</u>	<u>6,677</u>	<u>23,944</u>	<u>21,037</u>	<u>-</u>
Revenues over (under) expenditures	<u>9,052</u>	<u>(8,607)</u>	<u>(728)</u>	<u>8,678</u>	<u>65,309</u>	<u>-</u>	<u>(5,186)</u>	<u>1,577</u>	<u>(540)</u>	<u>-</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(31,012)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,052	(8,607)	(728)	8,678	34,297	-	(5,186)	1,577	(540)	-
Fund balances, beginning of year	<u>46,536</u>	<u>15,504</u>	<u>2,277</u>	<u>16,749</u>	<u>60,153</u>	<u>-</u>	<u>6,094</u>	<u>22,082</u>	<u>7,263</u>	<u>2,339</u>
Fund balances, end of year	<u>\$ 55,588</u>	<u>\$ 6,897</u>	<u>\$ 1,549</u>	<u>\$ 25,427</u>	<u>\$ 94,450</u>	<u>\$ -</u>	<u>\$ 908</u>	<u>\$ 23,659</u>	<u>\$ 6,723</u>	<u>\$ 2,339</u>

CITY OF CLEARWATER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS  
(continued from previous page)

Year ended December 31, 2011

	Donations Ambu- lance	Donations Crime- stoppers	Donations Fire	Donations Park	Donations Historical Society	Donations Senior Center Building	Law Enforce- ment Trust	Clearwater Public Building Commission	Total Nonmajor Governmental Funds
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 317,442
Intergovernmental	-	-	-	-	-	-	-	-	112,405
Licenses, fees and permits	-	-	-	-	-	-	-	-	10,000
Charges for services	-	-	-	-	-	-	-	-	25,442
Use of money and property	33	56	12	53	1,510	11	6	2,963	6,139
Miscellaneous	<u>5,483</u>	<u>-</u>	<u>700</u>	<u>-</u>	<u>6,620</u>	<u>4,093</u>	<u>-</u>	<u>-</u>	<u>19,980</u>
Total revenues	<u>5,516</u>	<u>56</u>	<u>712</u>	<u>53</u>	<u>8,130</u>	<u>4,104</u>	<u>6</u>	<u>2,963</u>	<u>491,408</u>
Expenditures:									
General government	-	-	-	-	-	-	-	-	38,775
Public safety	9,039	139	1,090	-	-	-	-	-	105,416
Highway and streets	-	-	-	-	-	-	-	-	99,519
Health and sanitation	-	-	-	-	-	-	-	-	1,305
Culture and recreation	-	-	-	1,500	13,667	1,854	-	-	155,643
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,708</u>	<u>161,652</u>
Total expenditures	<u>9,039</u>	<u>139</u>	<u>1,090</u>	<u>1,500</u>	<u>13,667</u>	<u>1,854</u>	<u>-</u>	<u>134,708</u>	<u>562,310</u>
Revenues over (under) expenditures	<u>(3,523)</u>	<u>(83)</u>	<u>(378)</u>	<u>(1,447)</u>	<u>(5,537)</u>	<u>2,250</u>	<u>6</u>	<u>(131,745)</u>	<u>(70,902)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	144,539	144,539
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,012)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,539</u>	<u>113,527</u>
Net change in fund balances	<u>(3,523)</u>	<u>(83)</u>	<u>(378)</u>	<u>(1,447)</u>	<u>(5,537)</u>	<u>2,250</u>	<u>6</u>	<u>12,794</u>	<u>42,625</u>
Fund balances, beginning of year	<u>9,952</u>	<u>11,315</u>	<u>2,682</u>	<u>5,690</u>	<u>25,911</u>	<u>1,998</u>	<u>1,231</u>	<u>189,756</u>	<u>427,532</u>
Fund balances, end of year	<u>\$ 6,429</u>	<u>\$ 11,232</u>	<u>\$ 2,304</u>	<u>\$ 4,243</u>	<u>\$ 20,374</u>	<u>\$ 4,248</u>	<u>\$ 1,237</u>	<u>\$ 202,550</u>	<u>\$ 470,157</u>

**CITY OF CLEARWATER, KANSAS**

**SPECIAL HIGHWAY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 95,650	\$ 95,650	\$ 93,375	\$ (2,275)
Use of money and property	500	500	502	2
Miscellaneous	<u>—</u>	<u>—</u>	<u>287</u>	<u>287</u>
Total revenues	<u>96,150</u>	<u>96,150</u>	<u>94,164</u>	<u>(1,986)</u>
Expenditures and other uses:				
Personal services	65,585	65,585	52,704	12,881
Contractual services	5,725	5,725	4,454	1,271
Commodities	11,000	11,000	7,973	3,027
Capital outlay	<u>38,030</u>	<u>38,030</u>	<u>19,981</u>	<u>18,049</u>
Total expenditures and other uses	<u>120,340</u>	<u>120,340</u>	<u>85,112</u>	<u>35,228</u>
Revenues over (under) expenditures	(24,190)	(24,190)	9,052	33,242
Fund balance, beginning of year	<u>24,190</u>	<u>24,190</u>	<u>46,536</u>	<u>22,346</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55,588</u>	<u>\$ 55,588</u>

**CITY OF CLEARWATER, KANSAS**

**EMPLOYEE BENEFITS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$176,319	\$176,319	\$177,508	\$ 1,189
Use of money and property	<u>200</u>	<u>200</u>	<u>267</u>	<u>67</u>
Total revenues	176,519	176,519	177,775	1,256
Expenditures:				
Personal services	<u>176,519</u>	<u>176,519</u>	<u>186,382</u>	<u>(9,863)</u>
Revenues over (under) expenditures	–	–	(8,607)	(8,607)
Fund balance, beginning of year	<u>–</u>	<u>–</u>	<u>15,504</u>	<u>15,504</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 6,897</u>	<u>\$ 6,897</u>



**CITY OF CLEARWATER, KANSAS**

**SPECIAL LIABILITY INSURANCE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 6,275	\$ 6,275	\$ 6,305	\$ 30
Use of money and property	40	40	16	(24)
Miscellaneous	<u>—</u>	<u>—</u>	<u>302</u>	<u>302</u>
Total revenues	6,315	6,315	6,623	308
Expenditures:				
Contractual services	<u>8,000</u>	<u>8,000</u>	<u>7,351</u>	<u>649</u>
Revenues over (under)				
expenditures	(1,685)	(1,685)	(728)	957
Fund balance,				
beginning of year	<u>1,685</u>	<u>1,685</u>	<u>2,277</u>	<u>592</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,549</u>	<u>\$ 1,549</u>

**CITY OF CLEARWATER, KANSAS**

**SPECIAL PARKS AND RECREATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Liquor tax	\$ 3,457	\$ 3,457	\$ 2,540	\$ (917)
Intergovernmental	1,000	1,000	1,030	30
Licenses, fees and permits	–	10,000	10,000	–
Use of money and property	<u>100</u>	<u>100</u>	<u>108</u>	<u>8</u>
Total revenues	<u>4,557</u>	<u>14,557</u>	<u>13,678</u>	<u>(879)</u>
Expenditures:				
Contractual services	–	5,000	5,000	–
Commodities	<u>500</u>	<u>500</u>	<u>–</u>	<u>500</u>
Total expenditures	<u>500</u>	<u>5,500</u>	<u>5,000</u>	<u>500</u>
Revenues over (under) expenditures	4,057	9,057	8,678	(379)
Fund balance, beginning of year	<u>23,064</u>	<u>23,064</u>	<u>16,749</u>	<u>(6,315)</u>
Fund balance, end of year	<u>\$ 27,121</u>	<u>\$ 32,121</u>	<u>\$ 25,427</u>	<u>\$ (6,694)</u>

**CITY OF CLEARWATER, KANSAS**

**CAPITAL IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 64,374	\$ 64,374	\$ 64,809	\$ 435
Use of money and property	<u>800</u>	<u>800</u>	<u>500</u>	<u>(300)</u>
Total revenues	<u>65,174</u>	<u>65,174</u>	<u>65,309</u>	<u>135</u>
Expenditures and other uses:				
Capital outlay	94,987	94,987	–	94,987
Transfers out	<u>31,012</u>	<u>31,012</u>	<u>31,012</u>	<u>–</u>
Total expenditures	<u>125,999</u>	<u>125,999</u>	<u>31,012</u>	<u>94,987</u>
Revenues over (under)				
expenditures	(60,825)	(60,825)	34,297	95,122
Fund balance,				
beginning of year	<u>60,825</u>	<u>60,825</u>	<u>60,153</u>	<u>(672)</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 94,450</u>	<u>\$ 94,450</u>

**CITY OF CLEARWATER, KANSAS**

**LIBRARY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND CASH BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 64,374	\$ 64,374	\$ 64,810	\$ 436
Intergovernmental	6,160	6,160	–	(6,160)
Fines and fees	1,500	1,500	–	(1,500)
Use of money and property	<u>150</u>	<u>150</u>	<u>–</u>	<u>(150)</u>
Total revenues	<u>72,184</u>	<u>72,184</u>	<u>64,810</u>	<u>(7,374)</u>
Expenditures:				
Appropriation to Library				
Board	84,263	77,263	64,810	12,453
Transfers out	<u>100</u>	<u>7,100</u>	<u>–</u>	<u>7,100</u>
Total expenditures	<u>84,363</u>	<u>84,363</u>	<u>64,810</u>	<u>19,553</u>
Revenues over (under)				
expenditures	(12,179)	(12,179)	–	12,179
Fund balance,				
beginning of year	<u>12,179</u>	<u>12,179</u>	<u>–</u>	<u>(12,179)</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

**CITY OF CLEARWATER, KANSAS**

**LIBRARY EMPLOYEE BENEFITS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND CASH BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,333	\$ 1,333	\$ 1,470	\$ 137
Use of money and property	<u>30</u>	<u>30</u>	<u>21</u>	<u>(9)</u>
Total revenues	1,363	1,363	1,491	128
Expenditures:				
Appropriation to Library Board	<u>6,674</u>	<u>6,674</u>	<u>6,677</u>	<u>(3)</u>
Revenues over (under) expenditures	(5,311)	(5,311)	(5,186)	125
Fund balance, beginning of year	<u>5,311</u>	<u>5,311</u>	<u>6,094</u>	<u>783</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 908</u>	<u>\$ 908</u>

**CITY OF CLEARWATER, KANSAS**

**EMERGENCY MEDICAL SERVICES FEE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND CASH BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 25,442	\$ 442
Use of money and property	<u>80</u>	<u>80</u>	<u>79</u>	<u>(1)</u>
Total revenues	25,080	25,080	25,521	441
Expenditures:				
Debt service	<u>23,944</u>	<u>23,944</u>	<u>23,944</u>	<u>–</u>
Revenues over expenditures	1,136	1,136	1,577	441
Fund balance, beginning of year	<u>19,056</u>	<u>19,056</u>	<u>22,082</u>	<u>3,026</u>
Fund balance, end of year	<u>\$ 20,192</u>	<u>\$ 20,192</u>	<u>\$ 23,659</u>	<u>\$ 3,467</u>

**CITY OF CLEARWATER, KANSAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 174,578	\$ 174,578	\$ 174,917	\$ 339
Special assessments	251,015	251,015	234,078	(16,937)
Use of money and property	1,000	—	682	682
Transfers in	<u>—</u>	<u>20,000</u>	<u>20,000</u>	<u>—</u>
Total revenues and other sources	<u>426,593</u>	<u>445,593</u>	<u>429,677</u>	<u>(15,916)</u>
Expenditures:				
Bond Principal	302,400	302,400	299,400	3,000
Bond interest and commission	<u>124,290</u>	<u>124,290</u>	<u>127,281</u>	<u>(2,991)</u>
Total expenditures	<u>426,690</u>	<u>426,690</u>	<u>426,681</u>	<u>9</u>
Revenues over (under) expenditures	(97)	18,903	2,996	(15,907)
Fund balance, beginning of year	<u>97</u>	<u>97</u>	<u>5,388</u>	<u>5,291</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ 19,000</u>	<u>\$ 8,384</u>	<u>\$ (10,616)</u>

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## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

**Water Utility Fund** – to account for the operation of municipal water utility including water supply, treatment and distribution.

**Sewer Utility Fund** – to account for the operation of sewer utility including the collection and treatment of wastewater.

**CITY OF CLEARWATER, KANSAS**

**WATER UTILITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Charges for services	\$ 322,850	\$ 322,850	\$ 334,733	\$ 11,883
Use of money and property	3,000	3,000	201	(2,799)
Miscellaneous	1,076	1,076	1,627	551
Transfers in	<u>3,924</u>	<u>3,924</u>	<u>3,923</u>	<u>(1)</u>
 Total revenues	 <u>330,850</u>	 <u>330,850</u>	 <u>340,484</u>	 <u>9,634</u>
<b>Expenditures:</b>				
Personnel services	220,959	220,959	216,625	4,334
Contractual services	68,707	68,707	31,376	37,331
Commodities	26,500	26,500	19,438	7,062
Capital outlay	25,700	25,700	37,114	(11,414)
Miscellaneous	–	–	7,521	(7,521)
Debt service	11,946	11,946	11,946	–
Transfers out	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>–</u>
 Total expenditures	 <u>358,812</u>	 <u>358,812</u>	 <u>329,020</u>	 <u>29,792</u>
 Revenues over (under) expenditures	 (27,962)	 (27,962)	 11,464	 39,426
Fund balance, beginning of year	<u>27,962</u>	<u>27,962</u>	<u>70,374</u>	<u>42,412</u>
 Fund balance, end of year	 <u>\$ –</u>	 <u>\$ –</u>	 <u>\$ 81,838</u>	 <u>\$ 81,838</u>

**CITY OF CLEARWATER, KANSAS**

**SEWER UTILITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 330,700	\$ 330,700	\$ 323,510	\$ (7,190)
Use of money and property	225	225	286	61
Miscellaneous	<u>—</u>	<u>—</u>	<u>411</u>	<u>411</u>
Total revenues	<u>330,925</u>	<u>330,925</u>	<u>324,207</u>	<u>(6,718)</u>
Expenditures:				
Personnel services	163,017	163,017	154,357	8,660
Contractual services	42,050	42,050	44,804	(2,754)
Commodities	8,500	8,500	6,228	2,272
Capital outlay	12,000	12,000	—	12,000
Debt service	98,869	98,869	98,869	—
Transfers out	8,924	8,924	8,923	1
Miscellaneous	<u>62,607</u>	<u>62,607</u>	<u>—</u>	<u>62,607</u>
Total expenditures	<u>395,967</u>	<u>395,967</u>	<u>313,181</u>	<u>82,786</u>
Revenues over (under) expenditures	(65,042)	(65,042)	11,026	76,068
Fund balance, beginning of year	<u>65,042</u>	<u>65,042</u>	<u>104,340</u>	<u>39,298</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 115,366</u>	<u>\$ 115,366</u>

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to report assets held in a trustee or agent capacity for others and, therefore, are not used to support the government's own programs.

### **AGENCY FUNDS**

**Payroll Tax Withholding Fund** – to account for the withholding taxes and other employee payroll withholdings due to other agencies.

**CITY OF CLEARWATER, KANSAS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS – PAYROLL TAX WITHHOLDING FUND**

**Year ended December 31, 2011**

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2011</u>
<b><u>PAYROLL TAX WITHHOLDING FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$ –	\$ 774,082	\$ 774,082	\$ –
Due from employees	<u>2,769</u>	<u>3,232</u>	<u>2,769</u>	<u>3,232</u>
	<u>\$2,769</u>	<u>\$ 777,314</u>	<u>\$ 776,851</u>	<u>\$ 3,232</u>
<b><u>LIABILITIES</u></b>				
Accrued liabilities	\$ –	\$ 774,082	\$ 774,082	\$ –
Due to other funds	<u>2,769</u>	<u>3,232</u>	<u>2,769</u>	<u>3,232</u>
	<u>\$2,769</u>	<u>\$ 777,314</u>	<u>\$ 776,851</u>	<u>\$ 3,232</u>

## **COMPONENT UNIT**

The Clearwater Public Library is reported as a discretely presented component unit within the financial statements of the City of Clearwater (the reporting entity) to emphasize its separate legal status. The Clearwater Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library and Library Employee Benefits special revenue fund of the City. The Library Board also receives funding through state assistance programs, charges for services and donations from the public. The following funds are used to account for the operations of the Clearwater Public Library:

**Library Board Fund** – to account for moneys held directly by the Library Board and made available as needed to assist in financing the operations of the public library.

**Library Levy Fund** – to account for the property taxes, grants and other resources received for the operations of the public library.

**Library Employee Benefits Fund** – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

**Library Capital Improvement Fund** – to account for capital equipment and improvement expenditures. Financing is provided through transfers from other funds.

**Donations Library Fund** – to account for public donations specified for use in providing a public library in the City.

**Friends of the Library Fund** – to account for resources provided by the Friends of the Library organization who has assisted in fund raising for the public library's operating activities.

CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET – CLEARWATER PUBLIC LIBRARY

December 31, 2011

	<u>Library Board</u>	<u>Library Levy</u>	<u>Library Employee Benefits</u>	<u>Library Capital Improve- ment</u>	<u>Donations Library</u>	<u>Friends of the Library</u>	<u>Total</u>
<b><u>ASSETS</u></b>							
Cash and investments	\$ 11,320	\$ 2,083	\$ —	\$ 26,151	\$ 1,375	\$ 485	\$ 41,414
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Liabilities:							
Accounts payable	\$ —	\$ 484	\$ —	\$ —	\$ —	\$ —	\$ 484
Fund balances:							
Restricted	—	1,599	—	—	1,375	485	3,459
Committed	—	—	—	26,151	—	—	26,151
Unassigned	<u>11,320</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,320</u>
Total fund balances	<u>11,320</u>	<u>1,599</u>	<u>—</u>	<u>26,151</u>	<u>1,375</u>	<u>485</u>	<u>40,930</u>
Total liabilities and fund balances	<u>\$ 11,320</u>	<u>\$ 2,083</u>	<u>\$ —</u>	<u>\$ 26,151</u>	<u>\$ 1,375</u>	<u>\$ 485</u>	<u>\$ 41,414</u>
Reconciliation to total net assets:							
Total fund balances per above							\$ 40,930
Add capital assets							160,129
Less accumulated depreciation on capital assets							<u>(74,813)</u>
Total net assets							<u>\$ 126,246</u>

## CITY OF CLEARWATER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - CLEARWATER PUBLIC LIBRARY

Year ended December 31, 2011

	Library Board	Library Levy	Library Employee Benefits	Library Capital Improve- ment	Donations Library	Friends of the Library	Total
Revenues:							
Appropriation from City of Clearwater	\$ -	\$ 64,810	\$ 6,677	\$ -	\$ -	\$ -	\$ 71,487
Intergovernmental	100	9,914	-	-	-	-	10,014
Charges for services	-	1,646	-	-	-	-	1,646
Use of money and property	76	157	-	87	5	-	325
Miscellaneous	<u>3,150</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>-</u>	<u>3,287</u>
Total revenues	<u>3,326</u>	<u>76,539</u>	<u>6,677</u>	<u>87</u>	<u>130</u>	<u>-</u>	<u>86,759</u>
Expenditures:							
Current:							
Personnel services	-	43,479	6,677	-	-	-	50,156
Contractual services	-	10,384	-	-	-	-	10,384
Commodities	<u>3,323</u>	<u>22,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,503</u>
Total expenditures	<u>3,323</u>	<u>76,043</u>	<u>6,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,043</u>
Revenues over (under) expenditures	<u>3</u>	<u>496</u>	<u>-</u>	<u>87</u>	<u>130</u>	<u>-</u>	<u>716</u>
Other financing sources (uses):							
Transfers in	-	-	-	7,100	-	-	7,100
Transfers out	<u>-</u>	<u>(7,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,100)</u>
Total other financing sources (uses)	<u>-</u>	<u>(7,100)</u>	<u>-</u>	<u>7,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	3	(6,604)	-	7,187	130	-	716
Fund balances, beginning of year	<u>11,317</u>	<u>8,203</u>	<u>-</u>	<u>18,964</u>	<u>1,245</u>	<u>485</u>	<u>40,214</u>
Fund balances, end of year	<u>\$ 11,320</u>	<u>\$ 1,599</u>	<u>\$ -</u>	<u>\$ 26,151</u>	<u>\$ 1,375</u>	<u>\$ 485</u>	<u>\$ 40,930</u>
Reconciliation of change in net assets:							
Revenues over expenditures per above							\$ 716
Add acquisition of capital assets							2,437
Less current year depreciation on capital assets							<u>(4,263)</u>
Change in net assets							<u>\$ (1,110)</u>